

Tax Review/Taxation

Daily Alert Service

Huzaima & Ikram
December 07, 2016

This special email service from Monday to Friday, part of subscription package, is aimed at keeping you informed about tax and fiscal matters. It contains news, legislative changes, case-law, in-depth articles and analyses covering all areas of taxes at domestic and international level. On every Saturday evening, we email weekly compilation of the entire material. Every month, *Taxation* in printed form, is sent through post and digital version of *Tax Review International* is made available for download at www.huzaimaikram.com.

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Kind Regards,

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ECP & declarations

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Person who was untruthful or dishonest or profligate had no place in discharging the noble task of law making and administering the affairs of State in government office—*Muhammad Siddique Baloch v Jehangir Khan Tareen*
PLD 2016 Supreme Court 97

Thorough scrutiny of legislators' declarations by any competent person can lead to the disqualification of a majority of them for making misrepresentations under oath as most of them cannot justify their standard of living vis-à-vis disclosure of meagre salary income from the State as their only source of income. Unfortunately, all agencies like, National Accountability Bureau (NAB), Federal Investigation Agency (FIA), Federal Board of Revenue (FBR) and Election Commission of Pakistan (ECP) have failed to discharge their duties, especially that of investigating the financial affairs of legislators.

Shockingly, a vast majority of public officeholders are negligent, lax and blasé about their tax obligations. This list, lamentably, includes the Prime Minister of the country and heads of major political parties. In the wake of disclosures through Panama Papers, holding of many properties abroad through offshore companies by our politicians, directly or through offspring, have surfaced. None of these politicians has ever mentioned any interest outside Pakistan in any property or business. Who will investigate this matter? NAB, FBR, FIA and State Bank of Pakistan (SBP) have already expressed inability to proceed in the matter. In this backdrop, the recent decision of ECP to scrutinize the assets/liabilities/income/expenditure declarations of legislators, with the help of NAB, SBP, FIA and FBR, is just another announcement. Critics say that all these dysfunctional institutions are captive in the hands of the corrupt and mighty and ECP lacks any effective and comprehensive legal and procedural framework for accountability of the elected representatives.

The most glaring example of FBR's inefficiency is perpetual inaction against the Prime Minister who, as per documents submitted to ECP, is a late filer of wealth statements for **Tax Years, 2010, 2011 & 2012**. On 09-10-2012, at the time of filing return of income for Tax Year 2012, automation system warned Mian Nawaz Sharif [NTN 0667649]: "**Your income 12,407,488 is equal and greater than 500,000, therefore you must file your wealth statement**". He ignored this warning and filed wealth statement on **22-03-2013** (just 9 days before filing of nomination papers). For Tax year 2010 and 2011, he received the same warning on **30-10-2010** and **21-11-2011**, respectively, but filed wealth statements after a lapse of many months. Till to date no action is taken for this violation of law that attracts penalty under section 182(1) of the *Tax Review International* 2016

Income Tax Ordinance, 2001. The same is the case with the Punjab Revenue Board where he filed returns for agricultural income for years 2010-11, 2011-12 and 2012-13 after a lapse of 30, 18 and 6 months respectively. Will ECP scrutinise declarations of Prime Minister from this perspective?

The above incontrovertible facts, in fact own admission of Prime Minister in nomination papers filed on 31-03-2013, confirm willful default in discharging admitted tax liabilities in time, both under the federal and provincial tax codes. It is inexcusable that till today no action has been taken by tax authorities. Despite violations of Articles 62 and 63 of the Constitution and section 12 of Representation of the People Act, 1976, [**Sharifs' taxes**, *Business Recorder*, May 20, 2016], he has been ruling since June 5, 2013. This confirms that our democratic (sic) system lacks accountability of those who enjoy money power that has crippled all institutions.

How will ECP scrutinise the assets/liabilities/expenses of the ruling family when it allowed Nawaz Sharif and Shahbaz Sharif to contest election in 2013 despite the fact that it received information from SBP that at that point of time loan of Rs. 4.9 billion was outstanding against companies in which they had material interest? They borrowed money from nine banks during 1994-95 [**Loan default: NAB shares data on Sharif graft references**, *Express Tribune*, April 5, 2013] and did not return the same till the date of filing of nomination papers for election 2013 on the plea that NAB confiscated their properties which, according to them, were worth more than the amount of the loans. The question was not that of worth of properties but whether money was due or not at the time of contesting the elections. Even otherwise, they got all assets back in 2011 (see order of Lahore High Court reported as PLD 2012 Lahore 515).

Law does not permit any loan defaulter (where payment is due for any reason) to contest the election unless payment is made. Admittedly, the Sharif family “paid Rs. 5.22 billion by December 2014 under the head of all loans, mark-up, cost of fund and other charges payable by Ittefaq Foundries and a consortium of banks has issued clearance certificates in this regard”, revealed by Shahbaz Sharif in a press conference held in Lahore on July 8, 2015 as “a representative of the Sharif family” [**Sharifs say all loans are settled by Dec. 2014**, *Dawn*, July 9, 2015]. Thus, as loan defaulters they were not eligible to contest election in 2013.

It is just a myth that SBP, SECP, FBR, NAB or FIA or any other department will help ECP in scrutinizing declarations of the legislators. FBR has been sleeping over the case of Hudabiya Paper Mills Limited that stopped filing income tax returns after the order of London High Court to avoid disclosing how loan was repaid or a part written off. Every company under section 114 of Income Tax Ordinance, 2001 is bound to file tax returns.

Hudabiya Paper Mills filed writ [PLD 2012 Lahore 515] in 2010 for return of their properties confiscated by NAB, but income tax returns were neither filed nor enforced by FBR as evident from Tax Directories of 2013, 2014 and 2015. SECP also did not ask the company to file annual statements. How did company obtain loan outside Pakistan and what properties were pledged? What documents were submitted to SBP, FBR and SECP at the time of taking loan and how was money sent abroad to settle the matter to avoid sale of Mayfair properties attached by the Court? These questions remain unanswered. The petitioners, neither in petitions nor during the hearing, requested the Supreme Court to order NAB, FIA and FBR to produce the record of this company to ascertain the facts.

The reality of accountability and transparency in Pakistan of affairs of its rulers, the rich and mighty is bitter and painful. People rightly complain that laws are only for the weak and the system as a whole is now captive in the hands of the unscrupulous businessmen-turn-rulers. These privileged members of society have proved time and again that they are above law and impervious from any kind of accountability.

Australia

Australian treasurer explains new backpacker tax rules

The Australian Government has explained how its new 15 percent backpacker tax regime will work.

The Australian Government last week reached an agreement with the Green Party to lower the proposed tax rate for working holiday makers from 19 percent to 15 percent. Legislation to implement the rate was passed by the Senate on December 1, by 43 votes to 19.

Treasurer Scott Morrison explained that the tax rate for 417 and 462 visa holders will now be set at 15 percent from January 1, 2017, consistent with the rate applicable to visa holders under the Seasonal Workers Program. The 417 visa is available to those aged over 18 and under 31 who wish to holiday and work in Australia for up to a year. The 462 visa is applicable for individuals holding passports from certain countries, including Argentina, China, and the US.

In addition, the Departing Australia Superannuation Payment rate for 417 and 462 visa holders will be set at 65 percent, rather than the 95 percent the Government had previously proposed.

Morrison said that these measures will contribute AUD560m (USD415.5m) net to the Budget, “almost 74 percent of the revenue the original Budget measure would have raised over the current forward estimates [period].” The Government had originally intended to tax backpackers at 32.5 percent from July 2016.

“These new arrangements will ensure that the Australian agriculture, horticulture, tourism, and hospitality sectors, as well as other industries in regional areas, can have a competitive tax rate for working holiday makers that does not compromise other important visa classes such as those under the Seasonal Workers Program,” Morrison stated.

The Australian Chamber – Tourism welcomed the end to an 18-month political deadlock, but warned that the Government appears to be treating the tourism industry as a cash cow.

CEO James Pearson said: “Resolving the backpacker tax issue has involved a tax on backpackers that means the vast majority who previously claimed the tax-free threshold will now pay 15 cents in the dollar. It has also involved an additional AUD100m per year tax on international travellers, in the form of the AUD5 increase in the Passenger Movement Charge announced without any consultation or assessment of the impact.”

“While we welcome the settlement of the issue by the Parliament, the process has dealt a blow to tourism and the visitor economy. As a major source of export earnings, tourism should be treated as a hero rather than as a cash cow.”

Fiona Simson, President of the National Farmers’ Federation, said the outcome was “a victory for common sense.” – *Courtesy tax-news.com*

Australia consults on GST rules for electronic services suppliers

The Australian Taxation Office (ATO) is seeking feedback on new rules for operators of electronic distribution platforms (EDPs), following the passage of legislation to impose goods and services tax (GST) on digital supplies and services.

Examples of EDFs include websites, internet portals, gateways, stores, or marketplaces supplying digital products or services.

There are now special rules for operators of EDPs concerning the GST on the sale of digital products and services to Australian consumers. Broadly, the rules are intended to ensure an EDP operator is treated as having made any supplies of digital products and services through the EDP.

The ATO explained that the EDP operator, instead of the supplier, includes the value of the supplies in its GST turnover to determine whether it is required to register for GST. The operator also pays the GST on the supplies.

The ATO’s new discussion paper seeks input to highlight areas of the new law that may be unclear, or where there may be practical compliance issues, and to identify advice or guidance that it should issue.

The consultation will remain open until January 20, 2017. The new GST rules for digital supplies and services will apply to tax periods starting on or after July 1, 2017. – *Courtesy tax-news.com*

Ireland

Irish revenue encourages taxpayers to apply for refunds

The Irish Revenue has issued a reminder to Pay as You Earn (PAYE) workers that there is a four-year time limit to submit tax refund claims.

Revenue said that “now is a good time to check your records and make sure you have claimed all your entitlements, before the December 31 deadline passes.”

Revenue explained that many PAYE workers can claim tax back on sums including health expenses, nursing home fees, tuition fees, and flat-rate expenses. It said that most online refund claims are paid within five working days.

Revenue added that any claims for 2012 must be submitted by December 31, 2016. The quickest and easiest way to claim tax back is online, via the myAccount system, it said.

Last October, Revenue wrote to more than 137,000 PAYE workers who had not applied for any tax refund in the last four years. –
Courtesy tax-news.com

Irish tax revenues continue to improve

Irish tax revenue has continued to outperform expectations, coming in 1.8 percent ahead of target in the first 11 months of 2016.

The Irish Finance Department said that, at EUR44.7bn (USD47.9bn), tax revenue was up 6.5 percent on the same period in 2015. It added that tax receipts for November, the single-most important month for collection, outstripped their target by 2.3 percent (EUR177m).

According to the Department, November is the largest corporation tax collection month of the year. Receipts for the month were 8.1 percent (EUR170m) above target. On a cumulative basis, receipts were EUR991m higher than expected and up 11 percent (EUR700m) year-on-year.

However, the Department did note that there are a number of expected repayments that could impact on the December corporation tax figures.

November was the final “due” value-added tax (VAT) month of the year. Receipts were down 6.6 percent on target, which the Finance Department attributed mainly to larger than expected repayments. VAT receipts for the year-to-date were 3.2 percent (EUR413m) below target, but up 4.7 percent (EUR556m) year-on-year.

Income tax receipts, on the other hand, continue to perform well. The Department said November was the most important month for

collections, and that receipts came in 2.3 percent (EUR177m) above target. Revenue for the January to November period was 1.8 percent ahead of target and up 6.5 percent year-on-year. – *Courtesy tax-news.com*

United Kingdom

UK taxpayers shielded from 300 million phishing attempts

HM Revenue and Customs has said its efforts have resulted in a 300 million reduction in the number of phishing emails received by UK taxpayers.

The tax authority said that this was a “significant decrease” in the half a billion phishing emails sent to customers alleging to be from an ‘@HMRC.gov.uk’ email address in both 2014 and 2015.

“By introducing a new level of security, we’ve been able to tackle these threats head-on and almost all attempts to scam taxpayers by pretending to be from an HMRC email address will now fall flat,” said Ed Tucker, HMRC’s Head of Cyber Security. “The added security this brings will be invaluable, especially at this time of year when many customers are busy using their online Personal Tax Account to submit their Self-Assessment returns.”

HMRC said it made the improvement through using email authentication software that blocks fraudulent emails. – *Courtesy tax-news.com*

Scotland

‘Successful’ first year for Scotland’s devolved real property tax

Scotland’s transition to the new Land and Buildings Transaction Tax (LBTT) was “operationally successful,” according to the Scottish Parliament’s Finance and Constitution Committee, which has reviewed the tax’s impact on the housing market.

The LBTT replaced UK stamp duty land tax (SDLT) in Scotland from April 1, 2015, as part of the agreement with the UK that responsibility for some taxes should be devolved to Scotland.

Scotland’s LBTT is band based, with a GBP145,000 (USD184,550) LBTT-free threshold. A rate of two percent is payable on the portion of the property price up to GBP250,000; five percent on the portion up to GBP325,000; 10 percent on the portion up to GBP750,000; and 12 percent on the value above GBP750,000.

The Committee's report said while the implementation of the tax had been a success, it is too early to draw any definitive conclusions on the impact of LBTT rates and bands after only one year of operation, and due to a lack of consistency in forecast and outturn data.

That said, the majority of stakeholders who contributed to the parliamentary inquiry agreed that the rates had been of benefit to the first-time buyer housing market. – *Courtesy tax-news.com*

FBR clarifies ‘erroneous’ news reports about court case

Federal Board of Revenue has clarified that the reports published in some English and Urdu daily newspapers about proceedings on 5th December 2016 in Hon’ble Supreme Court of Pakistan in a hearing in the case titled CIT Sukkur versus M/s Prudential Investment Bank Limited with reference to proposed disciplinary action against a senior officer are somewhat exaggerated and convey an erroneous impression. The aspersions cast on the Prime Minister’s office through the aforementioned reports for keeping the case file pending for five months are factually incorrect and misleading. The actual position is that a summary for approval of Hon’ble Prime Minister has been sent to Establishment Division and the Summary is still to be submitted to the Hon’ble Prime Minister for taking final decision in the matter.

It is further clarified that contrary to the press reports the Additional Attorney General did not submit before the Hon’ble Supreme Court of Pakistan that the officer has been charge sheeted and the summary sent by FBR is pending in the Prime Minister’s office for appointing an inquiry officer. Neither the FBR nor the Additional Attorney General submitted that any summary in the matter is pending in the Prime Minister’s office.

Furthermore, it is stated that the media reports claiming that the Honourable Justice Amir Hani Muslim hinted at summoning the Secretary Establishment Division and Chairman, FBR for explanation over delay in initiation of disciplinary action against the officer are also misconceived. – *Courtesy www.fbr.gov.pk*

Income Tax Act enforced

”The Income Tax (Amendment) Act, 2016” has been enforced, which has allowed purchasers/investors of immovable properties to legalise/whiten the difference between the Federal Board of Revenue (FBR) notified values of immovable properties and DC rates/registered values on payment of 3 percent tax and the source of investment would be not be investigated. Sources said the President has signed “The Income Tax (Amendment) Bill, 2016” into Act on the advice of the Prime Minister.

The Income Tax (Amendment) Bill, 2016 was passed by the National Assembly on the 30th November, 2016. The Bill was a money bill within the meanings of Article 73(2) of the Constitution, therefore, the same, upon its introduction, was transmitted to the

Senate for recommendations thereon within fourteen days, as required by proviso to clause (1) of Article 73 of the Constitution. However, being a money bill, it was not required to be passed by the Senate. The bill, duly authenticated by the Speaker, was submitted to the Prime Minister for onward transmission to the President for his assent thereto under Article 75 of the Constitution. The President has given his assent to the Income Tax Amendment Bill 2016, as advised by the PM.

A tax expert said that under the Income Tax (Amendment) Act, 2016 the differential between the FBR's prescribed tables of immovable properties and DC rates has been legalised on payment of 3 percent tax. The facility would be available to purchasers of immovable properties. According to clause 4 of the Income Tax (Amendment) Act, 2016, after section 236V, the following new section would be inserted, namely: "236W. Tax on purchase or transfer of immovable property.- (1) Every person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting the transfer shall collect from the purchaser or transferee advance tax at the rate of three per cent (3%) of the amount computed under clause (c) of sub-section (4) of section 111.

Explaining the said Act, a tax expert added that the under Income Tax Amendment Act 2016, every person attesting or registering transfer of any immovable property has been made responsible for collection of advance tax at the rate of 3% from purchaser or transferee on the amount calculated. The difference between registered value and the value determined under section 68 shall not be considered for the purposes of section 111 ie the differential amount will not be charged as unexplained income and the amount, on which advance tax under section 236W has been paid, shall be allowed to be incorporated in books of accounts in a tangible form, the expert said. – *Courtesy Business Recorder*

FBR, Ministry to discuss tax-related issues in power sector

The Federal Board of Revenue (FBR) and Ministry of Water and Power have decided to discuss major tax related issues of power sector here on December 14 (Wednesday). Sources told here on Monday that subsequent to the meeting held on December 2, 2016 under the chairmanship of Secretary, Ministry of Law & Justice it was decided that a meeting between FBR and power sector's relevant agencies may be held on Wednesday (December 14, 2016)

in FBR to deliberate and find amicable solution either through mutual agreement or through required amendments in the applicable law for the taxation issue with power sector.

According to the issues highlighted by the Ministry of Water and Power to the FBR, the financial position of the power sector is under pressure owing to non-availability of required cash flow to meet the energy requirements/generation. This situation is further complicated by the tax authorities by attachment of bank accounts of distribution companies on disputed issues. Appellate Tribunal Inland Revenue (ATIR) has even set aside FBR demands on many occasions.

In order to resolve tax disputes, a meeting was held in Ministry of Water & Power wherein Member (IR) FBR along with team participated. Issues were explained by distribution companies, distribution companies, which are 100 percent owned by the GoP, are following GOP policy; visualising that government-owned entities should avoid litigation and disputes to be resolved in an amicable way. In the meeting, it was also decided that following disputed issues may be referred to Law and Justice Division in order to get legal opinion so that both government departments may avoid litigation and act accordingly.

Payment of Sales Tax on Subsidy provided by federal government: Tax authorities are creating tax demands, pressing and initiating litigation on the grounds that Sales Tax @ 17 percent is to be paid on the tariff differential subsidy (TDS) being provided by the GOP under its socio-political policy decisions. Tariff subsidy is actually being provided to electricity consumers and is not part of the total sales. Sales Tax is levied on the sale and purchase activities under Sec-2(46) of Sales Tax Act 1990 where transfer of goods takes place. ATIR, Islamabad, accepted the appeal of PESCO on levy of GST on TDS and decided in favour of the company, vide STA 96/PB/2013 and STA 170/PB/2011 by stating that “sales tax is not payable on the subsidy received by PESCO from the government of Pakistan.”

Adjustment of Input tax relating to Transmission and Distribution Losses: Tax authorities are of the view that losses of distribution system are not to be deducted in calculating sales. Resultantly, input tax adjustments are not being allowed in case of distribution losses, whereas in all processing industries and CNG stations, distribution losses are recognised and allowed by the tax authorities. Such losses are recognised all over the world. Even in

some countries tax paid on goods destroyed is legible for tax adjustment. The fact is that power tariff is determined after taking into account losses factor resulting higher tariff. By this way there is no reduction in value of supply and amount of tax. Hence any further/artificial increase in sales volume by not allowing losses is nothing but over taxation, where losses are already part of sales price/ tariff. In spite of facts, tax distribution companies by tax authorities are being issued resulting involvement in litigations and attachments of bank accounts. It is pertinent to apprise that ATIR, Islamabad & Lahore accepted the appeals of PESCO & FESCO on levy of GST on T&D losses and decided in favour of the companies, vide STA 96/PB/2013 and, STA 170/PB/2011 and STA 874/LB/2013 respectively, stating the admissibility of input tax relating to T&D losses is in order.

Sales Tax on cash Collection Basis: Electricity was subjected to sales tax w.e.f. January 2000 and as per act-sales tax was required to be deposited on cash collection basis. Clause 5, Para· 1 of Electric Power Rules of 2000. Later on through amendment vide SRO No 560(I)/2006 dated 5.6.2006 w.e.f. 1.7.2006. Para-1 of Clause-39 was amended and words “Cash Collection basis” were replaced by Accrual Basis. In the wake of such amendment power sector companies are liable to pay sales tax even on behalf of even those consumers who do not pay their electricity bills, resulting accumulation of GST receivables of Rs 75 billion from DISCOs as on 29.2.2016. However, the subject issue was submitted to ECC for providing relief to power sector companies by reverting to deposit of sales tax on cash collection basis instead of accrual basis. The cabinet, in its meeting held on 12th October, 2011, while taking the briefing from Committee on Energy, inter-alia, decided that: Payment of GST by receiving agencies on non-paid bills shall be exempted.

The FBR was of the view that word exemption used in the Cabinet decision would result in restricting input sales tax adjustment to WAPDA (DISCOs) and KESC due to the legal bar on adjustment of input sales tax in case of exempt supplies and thus intension behind the decision will remain unfulfilled. In response, Ministry of Water & Power is of the view that zero rated sales tax will further escalate problem of GST refund and cabinet decision vide Case No 211/12/2011 dated 12th October, 2011 is required to be amended: In case of WAPDA (DISCOs) sales tax shall be collected during a tax period ‘cash collection basis’.

Sales Tax not charged on supply to AJ&K: President/ Chief Executive of Pakistan in the past decided during the presentation of Mangla Raising Dam Project that FBR will not levy GST on electricity generated and supplied to AJK. It is also pointed out that copy of the minutes of the subject presentation was also provided to the then chairman FBR at that time. The chairman FBR did neither object on these minutes nor did issue any contrary instructions, which means he principally accepted the subject decision. At present bulk supply tariff is being applied for AJ&K and sales tax is not being charged as per aforesaid decision. Under Para-C of the said tariff it was mentioned that FBR will not charge GST on electricity generated and supplied to AJ&K. Consequently, GST is not being charged by power distribution companies on electricity supplied to AJK. Instead of issuance of notification from FBR litigation has been started due to non-levy of GST on power supplied to AJK with some Companies. ATIR Islamabad agreed in case of IESCO that sales tax is not applicable on power supply to AJK being independent state, FBR appealed to Islamabad High Court that accepted appeal and set aside ATIR decision. Now the IESCO has filed appeal in Supreme Court. Principally decision taken with AJK regarding non levy of sales tax needs to be implemented. In view of the aforesaid, Law and Justice Division is requested to legally analyse the aforesaid issues and guide this ministry to avoid litigation between the DISCOs and FBR, Ministry of Water and Power added. – *Courtesy Business Recorder*

Hayatabad Toll Plaza: transporters threaten to move court against illegal tax collection

Local transporters have warned to move the court against collection of illegal tax on Hayatabad Toll Plaza by Peshawar Development Authority. Addressing at a news conference at the press club here on Monday, All Mushtarka Transporter Trailers and Trucks Owner Association President Haji Muhammad Yousaf said the Peshawar Development Authority (PDA) had imposed levy on trucks, carrying food and non-food consignments at Hayatabad toll plaza Peshawar, which was not acceptable to them. He informed that a large number local vehicle were crossed the toll plaza on daily basis.

He added the authorities charged Rs 100 to Rs 200 from small vehicle, while Rs 300 to Rs 500 from eight wheelers trucks. He maintained that the tax was only being imposed on Afghan Transit

trade carriages, but imposition of same tax on local transport against the verdict of Peshawar High Court in this regard.

Similarly, he said tax was also being collected from transporters on four different toll plazas en route from Peshawar Adda to Hayatbad transport by local authorities. He made it clear that the additional tax could not be acceptable to them, which should be immediately withdrawn. The transporters leader recalled that the incumbent Chief Minister Pervez Khattak had also issued directives for immediate withdrawal of collection of illegal levy on Hayatabad Toll Plaza, by following the decision of the superior judiciary. However, he lamented that the directives didn't implement yet.

Muhammad Yousaf has expressed concern over new insurance policy, introduced jointly by Provincial Transport Authority and Regional Transport Authority. He viewed that transporters didn't consult before the passage of the new policy. He said a Punjab-based company was manipulating the transporters on various tactics, which must be ended. He explained that insurance certificate had been made mandatory prior to registration of the vehicle. He strongly opposed the policy, particularly unilateral decisions, taken by PTA and RTA, which was mostly against the interest of the transport community. The transporters warned that if the collection of illegal tax on Hayatabad Toll Plaza was not withdrawn forthwith, they would go for wheel-jam strike, and authorities were completely responsible for any inconvenience and incident. – *Courtesy Business Recorder*

PIA assures FBR of clearance of all dues by June

Pakistan International Airlines (PIA) has given assurance to the Federal Board of Revenue (FBR) to pay off all pending tax dues amounting to Rs 3.7 billion by June 2017, it was learnt. According to the sources, the top management of airline held a meeting with the tax officials of Large Taxpayers Unit (LTU)-I on the other day and assured that the national flag carrier would pay off pending Federal Excise Duty (FED) amounting to Rs 3.7 million till June 2017 and also guarantee smooth monthly FED payment of Rs 800 million.

Sources said the meeting was convened in milieu with a letter sent by the LTU-I, Karachi on December 1, 2016 to the International Air Transport Association (IATA) Pakistan, informing the association that around Rs 3.7 billion FED, which had been

accumulated for the tax periods from July 2013 to September 2016, was recoverable from PIA, which was collected but not deposited to the national kitty.

They said the large revenue collecting arm of FBR asked IATA Pakistan to direct its present and future proceeds from Billing and Settlement Plan (BSP) of the association to the government treasury would be made in favour of tax department till further instruction.

In response to the said decision taken by the LTU-I, Karachi, the top management of airline held a meeting with the tax officials and assured them that the national flag carrier would not only discharge pending FED amounting to Rs 3.7 million till June 2017 but also ensure paying Rs 800 million as monthly regular payment, sources said, adding the tax department after the said assurance had now withdrawn its letter sent to the IATA.

Replying to a question, sources said the national flag carrier had to collect Rs 10,000 FED from international business class passengers, Rs 5,000 from economy class passengers and Rs 2,500 from domestic passengers and liable to deposit the same into national kitty within 45 days.

However, the airline despite collecting Rs 8 billion from international and domestic passengers did not deposit the same for the period 2010 to 2013, they said. Moreover, sources said that in 2013, the tax department had attached 15 bank accounts of the airlines in order to recover Rs 25 billion including Rs 8 billion principle amount and rest of it as fine and penalty but the Economic Co-ordination Committee (ECC) in its meeting held on July 18, 2013 restrained the LTU, Karachi from tax recovery exercise and ordered to de-attach all airline's bank accounts.

They answered that around Rs 3.7 billion FED was accumulated after the said decision and the tax department was now contemplating to challenge the ECC decision. Furthermore, sources said that tax department had adopted aggressive strategy to streamline the airline sector, resulting 44 percent growth in revenue collection last tax year. When contacted, PIA spokesman denied any correspondence with FBR to settle pending tax issues.

– *Courtesy Business Recorder*

Implementation of decision: FTO seeks relevant record, witnesses

Federal Tax Ombudsman (FTO) office has directed Chief Commissioner Regional Tax Office (RTO) Gujranwala and all others concerned to submit status of the case of non-implementation on its order passed in a complaint filed by M/s. Master Tiles & Ceramic Industries Limited last year.

In this regard, Tariq Yousuf, Advisor (I&M) Federal Tax Ombudsman Secretariat, Lahore, has issued directions to all the concerned to appear before the hearing at the regional FTO office on Tuesday (December 6, 2016) for implementation of findings decision of the FTO in case number 53/ISD/IT (39)648/2015. The regional office of the FTO has asked all concerned to bring relevant record and witnesses for examination.

Talking to Business Recorder, Hassan Kamran Bashir Advocate for the complainant said that the FTO had ordered the FBR to hold an inquiry against those officers/officials of Intelligence and Investigation Wing of the FBR, who were allegedly involved in the leakage of confidential information. It was observed in the said order that the act of I&I was against the relevant provisions of section 216 of the Income Tax Ordinance 2001 as they were supposed to keep the information confidential, till the final outcome of the case.

Hassan Kamran Bashir Advocate further said that both of the parties filed reviews against the order of the FTO, which were dismissed by Chairman (FTO) Abdul Rauf Chaudhry on the grounds that the scope of review was quite narrow and main case could not be re-argued in review proceedings. Both of the parties filed representations against the orders in review before the President of Pakistan being the last and final forum. The President's secretariat upheld the order in original of the FTO and dismissed representations of both of the parties. The net effect of the above proceedings is that the order, whereby the FTO directed the FBR to conduct an inquiry against the officers/officials involved in leaking the confidential information, has become effective and holds field.

According to the lawyer, the FTO has assigned the inquiry of the case to another deputy director of the said agency. The fact that the implementation and monitoring cell of the FTO is actively pursuing implementation on its orders shall not only boost taxpayers' confidence in the system of revenue collection, but also

set conventions to avoid undue embarrassment of the taxpayers through publication of premature issues against the taxpayers causing irreparable loss to their goodwill and reputation, he added. – *Courtesy Business Recorder*

FBR urged to expedite efforts towards collection

Minister for Finance, Senator Ishaq Dar on Sunday urged the Federal Board of Revenue (FBR) team to redouble their efforts to meet this year's revenue targets.

He was chairing a meeting to review the revenue collection targets and other matters related to the FBR. Special Assistant to Prime Minister on Revenue, Haroon Akhtar Khan was also present during the meeting, said a statement issued here.

Chairman FBR, Nisar Mohammad Khan briefed the Finance Minister on the latest revenue collection figures.

The finance minister appreciated the efforts of the FBR in increasing tax collections by 60 per cent over the last three years.

He emphasised the importance of enhanced revenue collection in the background of country's need for development and for achieving higher rate of inclusive and sustainable growth.

The meeting was attended by senior officials of the FBR and the Ministry of Finance. – *Courtesy Business Recorder*

S.R.O. 1130(I)/2016, Islamabad, the 1st December, 2016.– In exercise of the powers conferred by clause (b) of section 10 of the Customs Act, 1969 (IV of 1969) read with sub-section (1) of section 78 thereof, the Federal Board of Revenue is pleased to declare the following areas to be the placed for loading and unloading of bulk grain and fertilizer as well as storage of bulk cargo (other than liquid and hazardous cargo) by M/s Fauji Akbar Portia Marine Terminal Limited at Port Qasim, Karachi, measuring 37.6 acres and to specify the limits thereof, namely:–

- (A) main Grain and Fertilizer Terminal measuring 22.6 Acres (approx):
- (a) North : Berth Back up area.
 - (b) East : Container Terminal-2.
 - (a) West : Grain Fertilizer Terminal-2.
 - (a) South : Navigational Channel: and
- (B) plot No.SP-02 (Back Area) measuring 15 acres (approx) located in South West Industrial Zone:
- (a) North : Plot No.SP-03.
 - (b) East : Road.
 - (a) West : Road.
 - (a) North : PQA Land

Provided that the cargo shall be moved from the berth area to the storage area subject to fulfillment of all the conditions as notified by the Collector, Model Customs Collectorate, Port Muhammad Bin Qasim through a Standing Order.
